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Geographies of Temporary Staffing Unit

Working Brief 53

Developments in Latin America: The Temporary Staffing Industry in Brazil

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Introduction

While many countries are still struggling to escape the effects of the financial crisis, Brazil has experienced strong economic growth, providing a stimulus for further investment and temporary staffing agency expansion. This Working Brief aims to outline some of the developments that have occurred in the temporary staffing industry in Brazil. I briefly outline the regulatory context for temporary staffing in Brazil before highlighting the characteristics of the industry and detailing the emergence of some of the top transnational temporary staffing agencies present in the Brazilian market. In summary, this Working Brief will highlight the key features of the temporary staffing industry in Brazil, and how it is viewed as a potential market for substantial future growth by some transnational temporary staffing agencies.

Background and Recent Developments

As early as 2003 the markets of Latin America, particularly Brazil and Chile, were identified as regions of future potential growth, though until recently economic and political conditions had led companies to view them as high risk areas of investment (Cieltt, 2003). While many of the transnational staffing agencies have long had a presence in the region – in some cases since as early as the 1970s (Peck, Theodore & Ward, 2005) – it has only been since 2000 that this presence has become more widespread. Reasons for the previous lack of expansion in the Brazilian labour market include an unstable economy and high levels of informal employment as well as the extremely low wages in the formal employment sector which made profit margins extremely small (Peck, Theodore & Ward, 2005). However, an economic growth rate of 7.1% in 2010 indicated a positive market for investment (IMF, 2011). In early 2010, Brazil was one of the first emerging markets to recover from the financial crisis, and growth has continued in 2011. The improved economic performance of Brazil has resulted in increased employment with

further growth expected due to the infrastructure investment surrounding the Fifa World Cup 2014 and the Olympics in 2016.

At the end of November 2011 Kelly Services announced it had acquired Tradição Tecnologia e Serviço Ltda, a Brazilian based staffing agency which already had 12 branches in the country. In the same month APSco led a UK recruitment trade delegation to Brazil commenting that many recruiters were opening offices in Brazil. Ann Swain, Chief Executive of APSco, commented that 'with so much uncertainty around the UK labour market, the need to expand into fast-growing markets has rarely been more pressing' (SIAb, 2011). The global trade body for the temporary staffing industry, Ciett, continue to highlight the growth of agency work in the region and stress its potential as a future market for expansion (Ciett, 2011).

Regulation

Temporary staffing in Brazil is regulated by the Temporary Employment Act, Federal Law No: 6019/74 which states that:

- Temporary staffing agencies must be registered with the Ministry for Labour and Employment. The agency must comply with any requests for information made by the Ministry;
- Temporary agency workers can be used to work in urban areas to meet a temporary or seasonal need for regular and permanent employees, or to cope with an extraordinary workload increase;
- The maximum cumulated duration of temporary agency work contracts is three months, unless authorised by the Ministry of Labour and Employment;
- There are no restrictions on the number of renewals or extensions of temporary agency work contracts within the three month limit;
- Temporary agency workers must receive the same pay as a worker doing the same work for the user firm.

The OECD (2009) Employment Protection Legislation (EPL) index attributes a score of 3.96 for the restrictions on temporary agency work in Brazil, with an overall employment EPL score of 1.49. This indicates temporary agency work is much more highly regulated than other forms of employment in the country (the OECD scale ranges from 0-6, with 6 indicating the most restrictive regulations). There is a trade association for temporary staffing agencies in the Sao Paulo region of Brazil: Sindeprestem (the Union of Service Firms and Temporary Work in the State of Sao Paulo). The association is a member of the global trade body for the TSI, Ciett, which has its own sub-section, the Latin American Confederation of Temporary Employment. In 2010 São Paulo hosted the Ciett Annual Conference where a representative of Sindeprestem

commented that: ‘this form of employment [temporary agency work] is important in the economic scenario of the planet. The regulatory and legislative activity by the Brazilian government is urgent and should be fair and balanced’ (Cebrasse, 2010). Many agencies and trade associations wish to see restrictions on the length of agency work contracts removed, and reasons for the use of agency work abolished.

The Industry in Brazil

Brazil has experienced a significant growth in the number of temporary staffing agencies, and is now ranked only behind Japan, UK, Germany, USA, Netherlands, Australia and South Africa. Table 1 outlines some of the key features of the temporary staffing industry in Brazil:

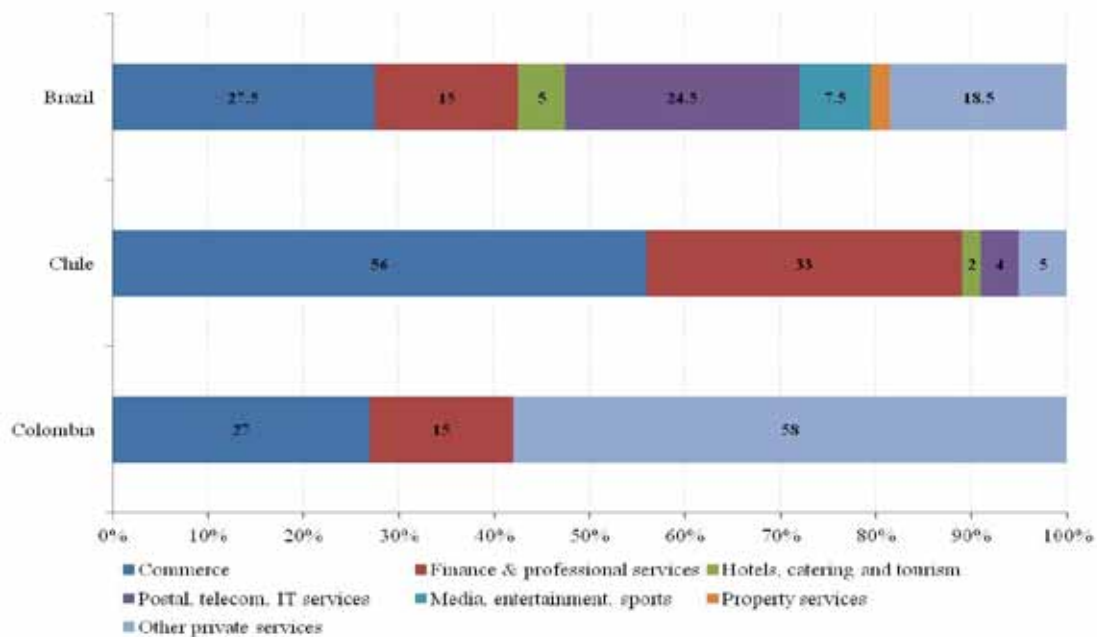
Table 1: Features of the Temporary Staffing Industry in Brazil

Feature	2009
Number of Temporary Staffing Agencies	1,611
Number of Agency branches	489
% of Global Revenues for Temporary Staffing	4%
Number of Agency Workers	902,000
Agency Work Penetration Rate	1%

Source: Data compiled from Ciett (2011)

Brazil has witnessed a significant increase in the number of agency workers, with an 11% growth since 2006 meaning it is now only ranked behind the USA (2.1 million), Japan (1.1 million), UK (1.07 million), and South Africa (0.9 million) (Ciett, 2011). The private service sectors in which agency workers are placed remains more varied in Brazil than other countries in Latin America, as seen in Figure 1.

Figure 1: Sectoral distribution of temporary agency work in private service sectors, 2010



Source: ILO, 2011:24

Temporary agency work in Brazil dominated by the service sector which represents 55% of placements; this is followed by manufacturing (15%), other sectors (16%), agriculture (10%), construction (2%) and public administration (2%) (Cieltt, 2011).

Transnational Staffing Agencies in Brazil

14 out of the top 20 transnational staffing agencies in 2010 listed in Working Brief 48 (Coe, Johns and Ward, 2011) operate in Brazil. While many of these have only a single branch, an increasing number of agencies are developing branch networks in various sectors of the Brazilian labour market:

- Adecco has been present in Brazil since 1984, primarily focusing on temporary employment, but also offering services in recruitment and selection, outsourcing, and training. There are 20 branches located in the main economic centres of the country including: São Paulo, Rio de Janeiro, Belo Horizonte, Brasilia, Campinas, Curitiba, Goiânia, Cerqueira César, Porto Alegre, Recife, Salvador;
- Manpower has been operating in Brazil since 2000 and was named as one of Manpower's key expansion markets in its 2011 annual report with revenues increasing 25% between 2009-10 (Manpower, 2011);
- Randstad has been present in Brazil since 1990, with 7 branches offering services in temporary staffing, outsourcing, telesourcing, recruitment and permanent placement. Randstad increased its presence in Brazil through a merger with Vedior in 2007. Vedior had been operating in Brazil since 2000 through its acquisitions of RH International Limitada in 2000, and Plataforma in 2004 (Coe, Johns and Ward, 2006);

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- Hays has been operating in Brazil since 2006, experiencing net fees of £12 million in 2011, a 60% increase compared to 2010 (Hays, 2011). It recognises that its presence in Brazil is in the early stages of development, and sees Brazil's 203 million population as a huge potential market for growth. In addition its 'recent entries into Mexico, Colombia represent the next stages of an ambitious plan to compete in an embryonic but rapidly growing market' (Hays, 2011:8);
 - Kelly Services has recently acquired Tradição Tecnologia e Serviço Ltd based in São Paulo, with the executive Vice President describing the move as extending 'Kelly's global reach in a very robust and emerging economist market' (SIA, 2011a). Tradição was founded in 1988, offering a range of temporary staffing services, as well as permanent placement, executive search, and training with 12 branches throughout the country;
 - Robert Half international has been operating in Brazil since 2007 with offices in São Paulo, Campinas, Rio de Janeiro, and Belo Horizonte. It has also recently opened a branch in Santiago, Chile;
 - Michael Page has been operating in Brazil since 2000 and now has ten branch locations: São Paulo, Barueri, Campinas, Curitiba, Rio de Janeiro, Barrada Tijuca, Belo Horizonte, Sao Jose dos Campos, Recife and Alegre. The company reported profit growth for Q1 2011 of 73% and is now the company's largest country in terms of profits (this compares to a profit growth of 9.4% for the UK - £31.7million – for the same time period) (Michael Page International, 2011);
 - Brunel International operates in Brazil through Brunel Energy which has a branch in Rio de Janeiro specialising in the oil, gas and petrochemical sectors;
 - Hudson Highland is present in Brazil, focusing on professional recruitment and has termed Brazil 'an exciting and challenging talent market';
 - Robert Walters is present in Brazil with one office in São Paulo;
 - STthree opened its first office in São Paulo in 2011.
 - Monster, the world leader in online recruitment, launched a version of its website for Brazil in 2010. Monster refers to a report in May 2010 published by the Dom Cabral Foundation which indicated that 67% of Brazilian companies were encountering difficulties in finding employees (despite relatively high unemployment levels) as a prime motivator for moving into the Brazilian market (Ramsay *et al.*, 2010);
 - Korn Ferry has been present in Brazil with its first branch in São Paulo since 1975 but after significant demand from companies headquartered in Rio de Janeiro it opened its second Brazilian branch there in 1997;

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- Heidrick and Struggles have had an office located in Brazil, São Paulo since 1997 focusing on leadership advisory services.

Summary

The temporary staffing industry in Brazil is still subject to relatively restrictive regulations, yet this has not deterred many companies from expanding into the Brazilian labour market. Brazil has been identified by many staffing agencies as a market with strong potential for growth, evidenced by the expansion of the branch networks of several transnational staffing agencies over the last decade. This Working Brief has provided an overview of the regulation of temporary agency work as well as the key features of the temporary staffing industry in Brazil. 14 out of the top 20 transnational staffing agencies have a presence in Brazil, many with a multi-branch network.

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